March 18, 1986

AMENDMENT TO H. R. 3660

TO ESTABLISH A NEW SUPPLEMENTAL RETIREMENT SYSTEM FOR MEMBERS OF THE FOREIGN SERVICE OF THE UNITED STATES

Redesignate title IV as V and immediately following title III, insert the following:

TITLE IV--FOREIGN SERVICE
RETIREMENT

SEC. 401. SHORT TITLE. This title may be cited as the Foreign Service Supplemental Retirement System Act of 1986.

SEC. 410. REDESIGNATION OF CERTAIN PROVISIONS OF THE FOREIGN SERVICE ACT OF 1980.

(a) Chapter 8 of title I of the Foreign Service Act of 1980 (94 Stat. 2102; 22 U.S.C. 4041 et seq.) is amended--

(1) by striking out the caption of such chapter and inserting in lieu thereof of the following:

"CHAPTER 8--FOREIGN SERVICE
RETIREMENT AND DISABILITY

"SUBCHAPTER I--FOREIGN SERVICE
RETIREMENT AND DISABILITY SYSTEM"

(2) by striking out "this chapter" each place it appears and inserting in lieu thereof "this subchapter"; and

(3) by inserting "under this subchapter" after "payable from the Fund" each place it appears.

(b)(1) Section 804(3) of such Act (94 Stat. 2103 ; 22 U.S.C. 4044(3)) relating to the definition of "court" is amended by striking out "or of the District of Columbia" and inserting in lieu thereof the following: ", the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Northern Mariana Islands, or the Virgin Islands, and any Indian court as defined by section 201(3) of the Act entitled 'An Act to prescribe penalties for certain acts of violence or intimidation, and for other purposes', approved April 11, 1968 (25 U.S.C. 1301(3); 82 Stat. 77)".

(2) Section 808(d) of such Act (94 Stat. 2110; 22 U.S.C. 4048(d)) is amended--

(A) by striking out "such subchapter" each place it appears in the second and third sentences and inserting in lieu thereof "subchapter I of such chapter 8"; and

(B) by striking out "Act each place it appears and inserting in lieu thereof "subchapter".

(3) Section 809(e) of such Act (94 Stat. 2111; 22 U.S.C. 4048(e) is amended by striking out "Act" each place it appears and inserting in lieu thereof "subchapter".

(c) Section 809(a) of such Act (94 Stat. 2111; 22 U.S.C. 4049(a)) is amended by striking out "Act" and inserting in lieu thereof "subchapter".

(d) Add the following at the end of paragraph (10) in section 804 (94 Stat. 2104; 22 U.S.C. 4044(10)) of such Act and at the end of subsections 814(a)(1) and (b)(1) (94 Stat. 2113 and 2115; 22 U.S.C. 4054(a)(1) and (b)(1), respectively), and before the last sentence in subsection 815(i) (94 Stat. 2117;; 22 U.S.C. 4055(i)) of such Act:

"(The 'creditable service' referred to in the preceding sentence means service that is creditable under both subchapters I and II of this chapter.)".

SEC. 411. CONTRIBUTIONS TO THE FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM.

Section 805 of the Foreign Service Act of 1980 (94 Stat. 2104; 22 U.S.C. 4045) is amended--

(1) by inserting "Except as provided in subsection (g)," before "7 percent" in the first sentence of subsection (a); and

(2) by adding at the end thereof the following new subsection (g):

"(g) Effective with respect to pay periods beginning after December 31, 1986, in administrating this section with respect to an employee or member of the Service who was a participant subject to this subchapter before January 1, 1984, and whose service--

"(A) is employment for the purposes of title II of the Social Security Act and chapter 21 of the Internal Revenue Code of 1954, and

"(B) is not creditable service for any purpose under subchapter II of this chapter or chapter 84 of title 5, United States Code,--

contributions to the fund and interest thereon shall be computed as if 5 Section 8334(k) of title 5, United States Code, were applicable, unless such an individual has made an election described in paragraph (4) thereof.".

SEC. 412. OFFSET OF ANNUITY BY THE AMOUNT OF SOCIAL SECURITY BENEFITS.

Section 806 of the Foreign Service Act of 1980 (94 Stat. 2106; 22 U.S.C. 4046) is amended by adding at the end thereof the following new subsection:

"(m) The annuity or survivor annuity payable to any individual under this subshapter beginning with the month in which such individual attains the minimum age for old age benefits, or first becomes eligible, or would upon proper application become eligible for disability or survivor benefits based on the service of any individual under this subchapter shall be computed as if section 8349 of title 5, United States Code, were applicable, unless the individual on whose service the benefit is based has made an election described in subsection (d) thereof.".

SEC. 413. TREATMENT OF CERTAIN RECALL SERVICE.

Section 823 of the Foreign Service Act of 1980 (94 Stat. 2122;22 U.S.C. 4063) is amended by adding at the end thereof the following new subsection:

"(c) If an annuitant becomes subject to subchapter II of this chapter by reason of recall service--

"(1) subsections (a) and (b) shall not apply to such annuitant; and

"(2) section 824 shall apply to the recall service as if such service were reemplooyment.".

SEC. 414. REEMPLOYMENT.

Section 824 of the Foreign Service Act of 1980 (94 Stat. 2122; 22 U.S.C. 4064 is amended to read as follows:

"SEC. 824 REEMPLOYMENT.--(a)(1)(A) Except in the case of an annuitant who makes an election under subsection (b), if any employee or member of the Service who has retired and is receiving an annuity under this subchapter or subchapter II of this chapter becomes employed in an appointive or elective position in the Government, payment of any annuity under either subchapter to the annuitant terminates effective on the date of the employment and the reemployment service is considered covered service under the rules of the system under which the appointment is made.

"(B) If annuity is terminated and the individual becomes covered under the same retirement system from which annuity is terminated pursuant to paragraph (A), the individual shall be entitled to a redetermination of rights under that system upon termination of the employment.

"(C) If annuity is terminated and the individual becomes covered under another contributory retirement system for Government employees pursuant to paragraph (A), the individual shall be entitled to an annuity under that system commencing on the first of the month following termination of the employment. Such annuity shall be computed under sections 8415(a), 8419 and 8420, as appropriate, of title 5, United States Code, based on the reemployed salary and service. In addition, the individual shall be entitled to a resumption of any annuity terminated by reason of the employment.

"(b)(1) An employee or member of the Service who is entitled to an annuity under this subchapter or subchapter II of this chapter and becomes employed in an appointive or elective position in the Government on a part-time, intermittent or temporary basis may elect to continue to receive either or both annuities as provided in this subsection.

"(2) The total annuity payable under this chapter to an annuitant making an election under paragraph (1) shall be reduced during the part-time, intermittent or temporary employment referred to in such paragraph as necessary to meet the requirements of paragraph (3).

"(3) The sum of --

"(A) the total annuity payable under this chapter to an annuitant making an election under paragraph (1), and

"(B) the annual rate of pay payable to the annuitant during the part-time or temporary employment referred to in such paragraph.

may not exceed, in any year, the highest annual rate of pay which is payable during such year for full-time employment in the position in which the annuitant is employed.

"(4) Upon termination of the part-time, intermittent, or temporary employment referred to in paragraph (1), payment of the full annuity of an annuitant of an annuitant who has made an election under paragraph (1) of this subsection shall resume.

"(c) The amount of annuity which has been terminated or reduced under this section by reason of the reemployment of the annuitant and is resumed under this section shall be the amount of the annuity which would have been payable if the annuitant had not accepted the reemployment. The amount of an annuity resulting from a redetermination of rights pursuant to subsection (a) shall not be less than the amount of an annuity resumed under the previous sentence.

"(d) If an individual whose reemployed service is treated as covered service under subsection (a)(1)(A), dies while so reemployed, survivor benefits and lump sum benefits shall be paid under chapter 84, of title 5, United States Code, based on the reemployed salary, service and contributions, as if the annuitant had resumed retired status on the day of death.

"(e) The annuity rights of any employee or member of the Service who is reemployed in the Federal Government shall be determined under this section instead of section 8463 of title 5, United States Code.

"f) When any such retired employee or member of the Service is reemployed, the employer shall send a notice of such reemployment to the Secretary of State, together with all pertinent information relating to such employment, and shall pay directly to such member the salary of the position in which he or she is serving.

"(g) In the event of any overpayment under this section, such overpayment shall be recovered by withholding the amount involved from the salary payable to such reemployed member of the Service or from any other moneys, including annuity payments, payable under this chapter.".

SEC. 415. COMPARABILITY BETWEEN THE CIVIL SERVICE SUPPLEMENTAL RETIREMENT SYSTEM AND THE FOREIGN SERVICE PENSION SYSTEM.

Section 827 of the Foreign Service Act of 1980 (94 Stat. 2124; 22 U.S.C. 4067) is amended by adding at the end thereof the following new subsection:

"(c) The President shall maintain, under the same conditions and in the same manner as provided in subsections (a) and (b) existing conformity between the Civil Service Supplemental Retirement System provided in chapter 84 of title 5, United States Code, and the Foreign Service Pension System provided in subchapter II of this chapter.".

SEC. 421. FOREIGN SERVICE PENSION SYSTEM.

Chapter 8 of title I of the Foreign Service Act of 1980 (94 Stat. 2102; 22 U.S.C. 4041 et seq.) is amended by adding at the end thereof the following:

"SUBCHAPTER II--FOREIGN SERVICE PENSION SYSTEM

"SEC. 851. Establishment.--(a) There is hereby established a Foreign Service Pension System.

"(b)(1) Except as otherwise specifically provided in this subchapter or any other provision of law, all participants in the Foreign Service Pension System shall be subject to the provisions of chapter 84 of title 5, United States Code, and shall be treated in all respects as persons whose participation in the Civil Service Supplemental Retirement System provided in that chapter is required by its terms.

"SEC. 852. Definitions.--As used in this subchapter, unless otherwise specified--

"(1) the term 'annuity' means the annuity which is described in subchapter II of chapter 84 of title 5, United States Code, and is payable to a participant;

"(2) the term 'court order' has the same meaning given in section 804(4);

"(3) the term 'dynamic assumptions' has the same meaning as provided in section 8401(9) of title 5, United States Code.

"(4) the term 'Fund' means the Retirement and Disability Fund maintained by the Secretary of the Treasury pursuant to section 802;

"(5) the term 'normal cost' means the entry-age normal cost of the provisions of the System which relate to the Fund, computed by the Secretary of State in accordance with generally accepted actuarial practice and standards (using dynamic assumptions) and expressed as a level percentage of aggregate basic pay, and shall be used to value the cost of the System for all purposes for which the cost of the System is required to be determined;

"(6) the term 'participant' means a person who participates in the Foreign Service Pension System;

"(7) the term 'pro rata share' in the case of any former spouse of any participant or former participant means the percentage which is equal to the percentage that (A) the number of years during which the former spouse was married to the participant during the service of the participant which is creditable under this chapter is of (B) the total number of years of such service, disregarding extra credit under section 817;".

"(8) the term 'supplemental liability' means the estimated excess of--

"(A) the actuarial present value of all future benefits payable from the Fund under this subchapter, over

"(B) the sum of --

"(i) the actuarial present value of deductions to be withheld from the future basic pay of participants pursuant to section 855;

"(ii) the actuarial present value of future contributions to be made pursuant to section 856; and

"(iii) the balance in the Fund attributable to the System on the date the supplemental liability is determined or to the contributions made under section 204(b) or 205 of the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 (97 Stat. 1106; 5 U.S.C. 8331 note); and

"(9) the term 'System' means the Foreign Service Pension System.

"SEC. 853. Participants.--(a) Except for persons excluded by subsection (b), (c), or (d), all members of the Foreign Service, any of whose service after December 31, 1983, is employment for the purpose of title II of the Social Security Act and chapter 21 of the Internal Revenue Code of 1954, who would, but for this section, be participants in the Foreign Service Retirement and Disability System pursuant to section 803 shall be participants in the Foreign Service Pension System.

"(b) Members of the Service who were participants in the Foreign Service Retirement and Disability System on or before December 31, 1983, and who have not had a break in service in excess of 1 year since that date, are not made participants in the System by this section, without regard to whether they are subject to title II of the Social Security Act.

"(c) Individuals who become members of the Service following a separation from Government employment during which they were subject for a total of at least 5 years to the Civil Service, Foreign Service or other contributory retirement system for Government employees established prior to 1984 are not participants in the System.

"(d) The Secretary may exclude from the operation of this chapter any member of the Foreign Service, or group of members, whose employment is temporary or intermittent, except a member whose employment is part-time career employment.

"SEC. 854. Entitlement to Annuity.--(a) Any participant who retires voluntarily or mandatorily under section 607, 608, 811, 812 or 813 under conditions authorizing an immediate annuity for participants in the Foreign Service Retirement and Disability System shall be entitled to an immediate annuity computed under section 815(d) of title 5, United States Code.

"b) A participant who is entitled to an immediate annuity under subsection (a) shall be entitled to receive an annuity supplement while the annuitant is under 62 years of age. The annuity supplement shall be based on the total creditable service of the annuitant and shall be computed and increased in accordance with sections 8421(b) and (c) of title 5, United States Code.

"(c)(1) Any participant may be retired under the conditions specified in section 811 and shall be retired under the conditions specified in sections 812 and 813 and receive benefits under this subchapter.

"(2) For the purposes of this subsection--

"(A) the term 'participant', as used in the sections referred to in paragraph (1), means a participant in the Foreign Service Pension System; and

"(B) the term 'System', as used in those sections, means the Foreign Service Pension System.

"(d) Any participant who is separated for cause under section 610 shall not be entitled to an annuity under this System when the Secretary determines that the separation was based in whole or in part on disloyalty to the United States.

"SEC. 855. Deductions and Withholdings from Pay.--

(a) The employing agency shall deduct and withhold from basic pay of each participant the following percentage of basic pay: 7 1/2 percent reduced by the percentage then in effect under section 3101(a) of the Internal Revenue Code of 1954 (relating to the rate of tax for old age, survivors and disability insurance).

"(b) Amounts deducted and withheld under this section shall be deposited in the Treasury of the United States to the credit of the Fund under such procedures as the Comptroller General of the U.S. may prescribe.

"SEC. 856. Government Contributions--(a)

Each agency employing any participant shall contribute to the Fund the normal cost computed in a manner similar to that used under section 8423(a) of title 5, United States Code. The normal cost percentage for the Foreign Service Pension System shall be determined by the Secretary of State.

"(b) The Secretary of Health and Human Services, the Secretary of Commerce, and the Secretary of Defense shall make contributions to the Fund to cover the cost of funding benefits under this subchapter, as determined by the Secretary of State, relating to military and naval service. Determinations and payments under this subsection shall be similar to those under section 8423(b) of title 5, United States Code.

"(c)(1) The Secretary of State shall compute the amount of the supplemental liability of the Fund as of the close of each fiscal year beginning after September 30, 1987. The amount of any such supplemental liability shall be amortized in 30 equal annual installments with interest computed at the rate used in the most recent valuation of the System.

"(2) At the end of each fiscal year, the Secretary of State shall notify the Secretary of the Treasury of the amount of the installment computed under this subsection.

"(3) Before closing the accounts for a fiscal year, the Secretary of the Treasury shall credit to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated, the amount under paragraph (2) of this subsection for such year.

"SEC. 857. Cost-of-Living Adjustments--
Cost-of-living adjustments for annuitants under this System shall be granted under procedures in chapter 84, title 5, U.S. Code applicable to special groups of employees under that System such as law enforcement, firefighter and air traffic controller personnel.

"SEC. 858. General And Administrative Provisions.--(a) The Secretary of State shall administer the Foreign Service Pension System except for matters relating to the Thrift Savings Plan provided in subchapters III and VII of chapter 84 of title 5 U.S. Code. The Secretary of State shall, with respect to the Foreign Service Pension System, perform the functions and exercise the authority vested in the Office of Personnel Management or the Director of such Office by such chapter 84, and may issue regulations for such purposes.

"(b) Determinations of the Secretary of State under the Foreign Service Pension System which, if made by the Office of Personnel Management under chapter 84 of title 5, United States Code, or the Director of such Office, would be appealable to the Merit Systems Protection Board, to such Office, or to the Director of such Office shall, instead, be appealable to the Foreign Service Grievance Board.

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"(c) At least every 5 years, the Secretary of the Treasury shall prepare periodic valuations of the Foreign Service Pension System and shall advise the Secretary of State of (1) the normal cost of the System, (2) the supplemental liability of the System, and (3) the amounts necessary to finance the costs of the System.

"SEC. 859. Transition Provisions.-- The Secretary of State shall issue regulations providing for the transition from the Foreign Service Retirement and Disability System to the Foreign Service Pension System in a manner comparable to the transition of employees now subject to the Civil Service Retirement and Disability System from that System to the Civil Service Supplemental Retirement System. For this and related purposes, references made to participation in the Civil Service Retirement and Disability System in title 5, United States Code, the Social Security Act, and the Internal Revenue Code of 1954 shall be deemed to refer to participation in the Foreign Service Pension System and the Foreign Service Retirement and Disability System, respectively.

"SEC. 860. Former Spouses.-- (a)(1) In the absence of a spousal agreement or court order governing disposition of benefits under this subchapter to a former spouse who was married to a participant for at least 10 years during service of the participant which is creditable under this chapter with at least 5 of such years occurring while the participant was a member of the Foreign Service, such former spouse is entitled to a share, determined under subsection (a)(2), of all benefits otherwise payable to such participant under this subchapter after the divorce or annulment becomes final and before the former spouse dies or remarries before age 55.

"(2) The share referred to in subsection (a)(1) equals--

"(A) 50 percent if such former spouse was married to the participant throughout the actual years of service of the participant which is creditable under this chapter; or

"(B) a pro rata share of 50 percent if such former spouse was not married to the participant throughout such creditable service.

"(3) A former spouse shall not be qualified for any benefit under this subsection if, before the commencement of any benefit, the former spouse remarries before becoming 55 years of age.

"(4) Payments to a former spouse under this section represent income to the former spouse and not to the participant for purposes of the United States Internal Revenue Code. Although payments to a former spouse under this subsection reduce payments to a participant or former participant, such reduction shall be disregarded in calculating the survivor annuity for any spouse, former spouse or other survivor under this subchapter, and in calculating any reduction in the annuity of the participant to provide survivor benefits under this subchapter.

"(5) Notwithstanding subsection (a)(1), in the case of any former spouse of a disability annuitant--

"(A) the annuity of the former spouse shall commence on the date the participant would qualify, on the basis of his or her creditable service, for an annuity under this chapter (other than a disability annuity) or the date the disability annuity begins, whichever is later, and

"(B) the amount of the annuity of the former spouse shall be calculated on the basis of the annuity for which the participant would otherwise so qualify.

"(6) Any former spouse who becomes entitled to receive any benefit under this subchapter which would otherwise be payable to a participant or former participant shall be entitled to make any election regarding method of payment to such former spouse that such participant would have otherwise been entitled to elect, and the participant may elect an alternate method for the remaining share of benefits. Such elections shall not increase the actuarial present value of benefits expected to be paid under this subchapter. Notwithstanding the first sentence of this paragraph, a former spouse may not elect a method of payment under subchapter II, chapter 84, of title 5, United States Code, providing for payment of a survivor annuity to any survivor of the former spouse.

"(7) The maximum amount payable to any former spouse pursuant to this subsection shall be the difference, if any, between 50 percent of the total benefits authorized to be paid to a former participant by this subchapter, disregarding any apportionment of these benefits to others, and the aggregate payable to all others at any one time.

"(b)(1) In the absence of a spousal agreement or court order governing survivorship benefits under this subchapter to a former spouse married to a participant or former participant for the periods specified in subsection (a)(1), such former spouse is entitled to a share, determined under subsection (b)(2), of all survivor benefits that would otherwise be payable under this subchapter to an eligible surviving spouse of the participant.

"(2) The share referred to in subsection (b)(1) equals--

"(A) 100 percent if such former spouse was married to the participant throughout the entire period of service of the participant which is creditable under this chapter; or

"(B) a pro rata share of 100 percent if such former spouse was not married to the participant throughout such creditable service.

"(c) A participant or former participant shall not make any election or modification of election under 5 U.S.C. 8417, 8433, or other section relating to the participant's account in the Thrift Plan or annuity under the basic plan that would diminish the entitlement of a former spouse to any benefit granted to the former spouse by this section or in a current spousal agreement.

"(d) If a participant has more than one former spouse eligible for benefits under this section, benefits shall be awarded on a first-come first-served basis.

"(e) If a member becomes a participant under this subchapter after qualifying for benefits under subchapter I and, at the time of transfer, has a former spouse entitled to benefits under subchapter I which, as determined by the Secretary of State, are similar in amount to a pro rata share division under section 814 or 815 and the service of the member as a participant under this subchapter is not recognized in determining that pro rata share, then subsections (a) and (b) of this section shall not apply to such former spouse.

"(f) If a participant dies after completing at least 18 months of service or a former participant dies entitled to a deferred annuity, but before becoming eligible to receive the annuity, and such participant or former participant has left with the Secretary of State a spousal agreement promising a survivor annuity under subchapter IV, chapter 84, title 5, U.S. Code, to a former spouse to whom married for the periods specified in subsection (a)(1), such survivor annuity will be paid under the terms of this subchapter as if the participant had retired on the day of death and elected the survivor annuity.

"SEC. 861. Spousal Agreements.--A spousal agreement is any written agreement (properly authenticated as determined by the Secretary of State) between a participant or former participant and his or her spouse or former spouse on file with the Secretary of State. A spousal agreement must be consistent with the terms of the Act and applicable regulations and, if executed at the time a participant or former participant is currently married, must be approved by such current spouse. It may be used to fix the level of benefits payable under this subchapter to a spouse or former spouse.".

SEC. 422. TABLE OF CONTENTS. The table of contents in section 2 of such Act is amended--

(a) by striking out the item relating to chapter 8 and inserting in lieu thereof the following:

"CHAPTER 8--FOREIGN SERVICE
RETIREMENT AND DISABILITY

"SUBCHAPTER I--FOREIGN SERVICE
RETIREMENT AND DISABILITY SYSTEM"

(b) by inserting after the item relating to section 827 the following:

"SUBCHAPTER II-- FOREIGN SERVICE PENSION
System

"SEC. 851. Establishment.

"SEC. 852. Definitions.

"SEC. 853. Participants.

"SEC. 854. Entitlement to annuity.

"SEC. 855. Reduction and withholding from pay.

"SEC. 856. Government contributions.

"SEC. 857. Cost-of-living adjustments.

"SEC. 858. General and administrative provisions.

"SEC. 859. Transition provisions.

"SEC. 860. Former spouses.

"SEC. 861. Spousal agreements.".

SEC. 423. EFFECTIVE DATE.

Notwithstanding section 501(a) of this Act, as redesignated by this amendment, the authority of the Secretary of State to issue regulations under subchapter II of title 8 of the Foreign Service Act of 1980, as added by this title shall have effect on the date of enactment of this Act.

Redesignate the succeeding title and sections accordingly.

Drafted:M/DGP/PC:RBHull:cff

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ANALYSIS OF FOREIGN SERVICE AMENDMENT March 18, 1986

Summary

This amendment adds a new title IV to H.R. 3660 to establish a Foreign Service Pension System (FSPS). The new System would provide retirement benefits for members appointed after 1983, and is very similar to the Civil Service Supplemental Retirement System (CSSRS) established by the bill for new appointees in the Civil Service after 1983. All Foreign Service members who become participants in the FSPS would be subject to all provisions of the comparable CSSRS unless specifically provided otherwise by law. All the exceptions are stated in this proposed amendment to H.R. 3660.

The Foreign Service has always had its own retirement system separate from the Civil Service retirement system. The basic reason for this is that the Foreign Service needs special provisions for early retirement to permit operation of its up-or-out personnel system. A number of Foreign Service members are mandatorily retired every year to permit advancement of the more competitive and most able personnel This system was endorsed and expanded by the Foreign Service Act Amendments of 1980. The special provisions are also necessary to permit the early retirement of members who, for various reasons, are no longer able to serve abroad after completing a career in dangerous and difficult environments.

The FSPS proposed in this amendment would preserve the early retirement and other special features needed by the Foreign Service. It would permit members to retire voluntarily at age 50 with 20 or more years of service with the same benefit as provided by the bill for special category personnel such as law enforcement, firefighter and air traffic controller personnel. Secondly, like the bill the system would permit Foreign Service members who are retired mandatorily at an early age to receive the basic (mid-tier) benefit based on high-3 salary without penalty for early retirement. The third basic special provision, substantialy like the bill, would provide an annuity supplement equivalent to a Social Security benefit based on salary and creditable service--from the date of retirement to age 62 when the annuitant would be eligible for the actual Social Security benefit.

A defination-by-Section analysis follows:

The amendment establishes a new title IV of the bill and renumbers existing title IV and sections accordingly.

Section 401 provides a short title for the new title IV for ease of furture reference.

Section 410(a) amends chapter 8 of the Foreign Service Act of 1980, which contains the authority for the existing FSRDS, to designate the existing portion as "Subchapter I" and makes several technical conforming amendments.

Section 410(b)(1) amends the definition of "court" in the current Act to broaden it to include territorial and Indian courts. The proposed definition is identical to the definition under the Civil Service adopted by the Civil Service Spouse Equity Act of 1984. The amendment is necessary to permit the Secretary to recognize orders by territorial and Indian courts affecting distribution of Foreign Service retirement benefits.

Paragraphs (2) and (3) of subsection 410(b) make additional technical conforming amendments in section 808 of the Foreign Service Act.

Section 410(c) makes a technical confirming change in section 809 of such Act.

Section 410(d) makes an indentical amendment to sections 804, 814, and 815 of such Act relating to "creditable service" to insure an equitable distribution of "pro rata share" benefits to former spouses. This amendment is related to proposed section 860(e) being added to such Act by section 421 of the bill and is discussed further in the explanation of that section.

RETIREMENT CONTRIBUTIONS UNDER FSRDS

Section 411 amends section 805 of the Foreign Service Act of 1980, relating to deductions from a participant's pay and contributions for prior service for Foreign Service Retirement and Disability System coverage. An employee who was covered by the FSRDS on December 31, 1983, and who was subsequently covered by Social Security will continue in the FSRDS at a reduced contribution. The contribution to the FSRDS will be equal to the excess of the employee's normal FSRDS contribution over the OASDI portion of the Social Security tax. A similar rule will apply to those recalled to the Foreign Service after a break in service of more than one year and who have more than 5 years prior service credit. This provision and the one described below added by section 412 parallel comparable amendments in the bill for the Civil Service.

OFFSET RELATING TO CERTAIN SOCIAL SECURITY BENEFITS

Section 412 amends section 806 of the Act to require that annuities of retirees and survivors under the current FSRDS who are entitled to Social Security benefits for Federal service have their annuities reduced when they first become eligible for such benefits.

RECALL SERVICE

Section 413 amends existing section 823 of the Act which deals with retirement benefits of retired Foreign Service members who are recalled to active duty. The amendment provides that members who are rcalled in the future and who come under FSPS will receive the same benefits as reemployed annuitants.

REEMPLOYMENT

Section 414 amends existing section 824 of the Act which concerns reemployed annuitants. The Foreign Service has long had a distinctive rule on reemployed annuitants to permit use of retired members who are uniquely qualified to perform certain essential tasks. The existing Civil Service rule on this subject offers next to no incentive for retired persons to return to work for the Government. This amendment would adapt the current Foreign Service rule in section 824 of the Act for use under both FSRDS and the FSPS. This amendment recognizes that some reemployed annuitants will have an annuity under both the new and old systems. It also recognizes that it would be difficult or inappropriate to recompute a Foreign Service annuity following employment under the new Civil Service Supplemental Retirement System.

This amendment would permit annuitants reemployed on a part-time, intermittent or temporary basis to elect to continue to receive their annuity while reemployed up to a ceiling amount. The annuity would be reduced as necessary so that in any year annuity payments when added to salary does not cause the total to exceed the current annual salary rate for the reemployed position when occupied on a full-time basis. Such employees would receive no other retirement benefits for the reemployed service. The proposed ciling amount is different from the ceiling currently specified in section 827. The latter is the basic annual salary rate of the member at the time of initial retirement. The ceiling proposed herein is taken from section 8468(b) of S. 1527, a similar section.

Reemployed annuitants not making the above election would have their service treated as covered service and make current contributions to the applicable retirement system. Their Federal annuity would be terminated during reemployment. Upon completion of the Federal employment, they would become eligible either to a recomputation of their annuity, if reemployed under the same retirement system, or if not, to an additional annuity based on salary and service during the period of reemployment. The additional annuity would be computed under the rules for the general Civil Service.

This amendment covers reemployment under both the present FSRDS and the proposed FSPS. The phrase "employee or member" refers to members of the Foreign Service and to employees who are former members of the Service who elected under section 2106 of the Foreign Service Act of 1980 to remain participants in the FSRDS.

MAINTENANCE OF COMPARABILITY BETWEEN FSPS AND CSSRS

Section 415 amends section 827 of the Act to extend the existing "Executive order" procedure for maintaining conformity between the Civil Service and Foreign Service retirement systems to the new CSSRS and FSPS.

FOREIGN SERVICE PENSION SYSTEM

Section 421 is the major substantive amendment. It adds subchapter II of chapter 8 of the Foreign Service Act of 1980, entitled "Foreign Service Pension System", comprised of sections 851 through 861.

APPLICABILITY OF CHAPTER 84, TITLE 5 U.S. CODE

Section 851 provices that participants in the new FSPS shall be subject to all provisions in chapter 84, title 5, U.S. Code governing CSSRS except where otherwise specifically provided by law. The exceptions are all stated in this amendment.

DEFINITIONS

Section 852 provides definitions of the following terms: annuity, court order, dynamic assumptions, Fund, normal cost, participant, pro rata share, supplemental liability, and System.

PARTICIPATION

Section 853 provides, in general, that all members of the Foreign Service whose service after 1983 brings them under Social Security and who would, save for this section, be participants in the FSRDS, shall be participants in the FSPS. Three exceptions are stated relating to continuity of employment and temparary or intermittent employees, which are identical to exceptions under CSSRS.

ENTITLEMENT TO ANNUITY

Section 854 provides special rules governing entitlement to annuity under FSPS. Any entitlement or requirement not mentioned here would automatically, pursuant to section 851, be governed by chapter 84 of title 5, U.S. Code.

Subsection 854(a) provides that members retiring voluntarily or mandatorily under the conditions of existing section 607, 608, 811, 812, or 813 shall receive an annuity computed under proposed new section 8415(d) applicable to "special category" personnel in CSSRS.

Subsection 854(b) provides that those retired under subsection (a) above, will be entitled to an annuity supplement from the effective date of retirement to age 62 based on total creditable service of the member and computed under section 8421 of title 5.

Subsection 854(c) makes participants in the new system subject to existing provisions for voluntary and mandatory retirement of existing section 811, 812 and 813.

Subsection 854(d) carries forward to the new System the provision denying pension benefits to a member separated on ground of disloyalty to the U.S.

DEDUCTIONS FROM SALARY

Section 855 requires agencies employing members of the Foreign Service in FSPS to deduct and withhold 7-1/2 percent of their pay, reduced by the then current Social Security withholding tax rate, for deposit in the Foreign Service Retirement Fund. This is the percentabe applicable to special category personnel under CSSRS.

GOVERNMENT PAYMENTS TO FUND

Section 856 provides for Government contributions to the Fund comparable to those made under CSSRS. Subsection (a) requires employing agencies to contribute the "normal cost" as determined by the Secretary of State. Subsections (b) and (c) provide for payment of the cost of military service and amortization of the supplemental liability, respectively. The term "military and naval service" used in section 856(b) is intended to be the same as that term is defined in section 804(a) of the Foreign Service Act.

COST-OF-LIVING

Section 857 provides that annuitants under FSPS receive cost-of-living adjustments under procedures applicable to special groups of employees (annuitants) under CSSRS.

GENERAL AND ADMINISTRATIVE PROVISIONS

Subsection 858(a) provides that the Secretary of State shall administer the FSPS exclusive of matters pertaining to the Thrift Savings Plan. It also grants the Secretary the same authority granted to the Office of Personnel Management and its Director by chapter 84, Title 5, U.S. Code. For example, application of the disability retirement provision by regulation might differ slightly from the similar CSSRS provision because of the Foreign Service being a rank-in-person and service-abroad System under which members are appointed to a class, not to a position. The thrift plan would be administered as provided in subchapters III and VII of chapter 84, title 5, U.S. Code.

Subsection 858(b) provides that matters in dispute under FSPS be appealed to the Foreign Service Grievance Board--a Board established by chapter 11 of the Foreign Service Act of 1980 experienced in Foreign Service matters--rather than the Merit Systems Protection Board or OPM.

Subsection 858(c) provides that the Secretary of Treasury provide actuarial services for the FSPS similar to the services provided for the FSRDS.

TRANSITION AND CONVERSION TO FSPS

Section 859 authorizes and directs the Secretary of State to issue regulations for the transition to the FSPS, and conversion of current employees, in a manner comparable to that provided for Civil Service employees. Under this authority, for example, members of the Foreign Service could be given an opportunity to make an election regarding participation in FSRDS or FSPS similar to the election afforded civil service personnel under section 302 of the bill.

FORMER SPOUSES

Sections 860 and 861 conform the FSPS with the existing provisions on former spouses added to the Foreign Service Retirement System by the landmark revision of the Foreign Service Act of 1980. These sections do two basis things: first, with respect to certain former spouses, section 860 mandates a pro rata share division of retirement and survivor benefits when a different distribution has not been ordered or approved by a court or agreed to by the parties. Secondly, section 861 authorizes a participant in the new System to "contract" with his or her spouse or former spouse on a mutually agreed upon distribution of benefits under the System.

Section 860 deals with benefits for certain former spouses. Subsection(a) covers all benefits otherwise payable under the Foreign Service Pension System to a partcipant, as distinquished from survivor benefits. It is applicable only to former spouses married to a participant for at least 10 years which are creditable as service under either the existing Foreign Service Retirement System or the proposed Foreign Service Pension System provided at least 5 of those years occurred while the participant was a member of the Foreign Service. It provides, in the absence of a court order or spousal agreement to the contrary, for payment to a qualified former spouse of up to 50 percent of the benefits otherwise payable to a former participant under the Foreign Service Pension System after the divorce becomes final and before the former spouse dies or remarries prior to becoming age 55.

Subsection (a)(2) provides that the maximum share, 50 percent, would be payable in case a marriage endured during the entire period of a former participant's Government career -- during all of the creditable service. In other cases, a pro rata share of 50 percent would be payable to the former spouse.

Subsection (a)(3) makes a former spouse who remarries before age 55 before commencement of benefits ineligible for benefits under this section.

Subsection (a)(4) makes payments to a former spouse under this section income for purposes of the U.S. Internal Revenue Code.

Subsection (a)(5) makes a former spouse ineligible for any share of a disability annuity under the subsection. However, it provides that the former spouse would be eligible for a pro rata share distribution of the basic annuity under subchapter II, chapter 84, title 5, U.S. Code, that a disabled former participant eventually becomes entitled to receive. This subsection is similar to existing subsection 814(a)(6), the purpose of which is to base pro rata share payments to former spouses on earned benefits rather than subsidized payments based on disability.

Subsection (a)(6) authorizes a former spouse to make any election regarding method of payment of benefits to which the former spouse becomes entitled which a participant may make.

Subsection (a)(7) deals with the situation where there is more than one former spouse entitled to benefits otherwise payable to a former participant under the Foreign Service Pension System. This subsection provides that the maximum payable pursuant to this subsection, i.e. in the absence of a court order or spousal agreement, is the difference between 50 percent of the total benefit and the aggregate payable under this subchapter to all others.

Subsection 861(b) deals with survivor benefits to former spouses married to a participant for the same periods as specified in subsection 861(a)(1).

Subsection (b)(1) authorizes payment to a qualified former spouse of a share of survivor benefits otherwise payable to a surviving spouse unless a court order or spousal agreement governs the distribution of survivor benefits.

Subsection (b)(2) provides that the share payable to a former spouse shall be equal to 100 percent of the benefits payable to a surviving spouse if the former spouse was married to the deceased for the entire period of the deceased's creditable service. If the marriage did not endure throughout the creditable service, a pro rata share of 100 percent of the survivor benefit would be payable to the former spouse.

Matters such as reduction of the member's annuity to provide the survivor annuity, deposits, commencement, termination, and maximum payable in the event of more than one claim not dealt with in this subchapter will be governed by the corresponding rules for survivor benefits to former spouses under chapter 84, title 5, U.S. Code pursuant to section 851 establishing the Foreign Service Pension System.

Subsection 861(c) prohibits a participant from making an election concerning payment of annuity or thrift account that would diminish benefits provided to a former spouse pursuant to this section or a spousal agreement.

Subsection 861(d) states that if a participant has more than one former spouse, benefits shall be payable on a first come, first served basis.

Subsection 861(e) covers the situation where a member becomes entitled to benefits under both the Foreign Service Retirement System and the Foreign Service Pension System and has a former spouse at the time of transfer to the latter System. In the common situation where benefits are apportioned pusuant to a court order or spousal agreement, the intent may be to provide a pro rata share distribution but the language of the instrument may base the share on length of the marriage during service creditable only under the Retirement System, and not under the Pension System. This will provide an especially large share of the Retirement System benefits. If such an order or spousal agreement is not amended, it would not be fair to provide, under this section, an additional pro rata share of Pension System benefits to the former spouse. The purpose of subsection(e) is to prohibit this possibility.

Similarly, in the case where a former spouse is entitled to a pro rata share of Retirement System benefits based on years married during the entire Government career, it would be unfair not to provide the former spouse the same share of Pension System benefits. Section 861 serves this purpose. A related amendment is made to existing sections of the Act by section 410(d) of the bill. The purpose is to assure that two former spouses married for the same period to members who have identical careers, one of whom transfers to the new Pension System and the other remains under the old Retirement System, will each receive the same share of benefits under this chapter, if payments are based on pro rata share distributions.

Subsection 861(f) authorizes payment of a survivor annuity to a former spouse following the death of a participant during active service or after separation with entitlement to a deferred annuity, but before commencement of the annuity. Payment would be made provided the deceased left with the Secretary of State a valid spousal agreement providing for such survivor annuity and provided the marriage had endured for the periods specified in subsection (a)(1).

Section 862 defines "spousal agreement" as an authenticated agreement between a participant and a spouse or former spouse. A participant who is currently married may not enter into a spousal agreement with a former spouse without the consent of the current spouse. A spousal agreement may be used to guarantee that certain benefits, otherwise payable under this subchapter, will be paid to a spouse or former spouse.

TABLE OF CONTENTS

Section 422 of the bill amends the table of conents in section 2 of the Foreign Service Act of 1980 to reflect amendments made by the bill.

EFFECTIVE DATE

Section 423 makes the Secretary's authority to regulate, granted by the bill, effective upon enactment to facilitate implementation of the new System.

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COMMITTEE ON POST OFFICE
AND CIVIL SERVICE
U.S. HOUSE OF REPRESENTATIVES

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FOR IMMEDIATE RELEASE:
October 9, 1985

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Details of a proposed supplemental retirement plan for Federal employees were unveiled today by Chairman William D. Ford of the House Post Office and Civil Service Committee and Congresswoman Mary Rose Oakar, Chair of the Subcommittee on Compensation and Employee Benefits.

Since 1984 new Federal employees have been covered by the Social Security System. The plan announced today is the result of three years of study and is carefully designed to provide equitable retirement benefits for those new employees.

When added to social security benefits, the proposed new plan would provide retirees, disabled employees and survivors with total benefits comparable to the existing Civil Service Retirement System, said Chairman Ford and Representative Oakar.

The total employer cost of the plan, including social security, would be about 25.5 percent of salary, higher than in the average private sector plan.

"What must be kept in mind," said Ford and Oakar, "is that Federal employees, whose pay already has been frozen through 1986, will fall more than 16 percent behind workers in the private sector when total pay and benefits are compared. To reduce pension benefits for Federal workers would increase this unfair differential and make it even harder for the Federal government to compete with the private sector for the best and the brightest to design and operate space programs, fight disease and pestilence, guarantee the safety of our food and drugs, administer the law, and do all those other things so vital to our society."

When it was first proposed that new Federal employees be covered under social security Ford, along with House Speaker Thomas P. O'Neill and Ways and Means Committee Chairman Dan Rostenkowski, said in a letter to House members:

"We believe that new Federal employees who become covered under social security should be provided retirement benefits comparable to those under the Civil Service Retirement System."

Ford and Oakar said that the proposal presented today "keeps faith with that principle."

At the beginning of extensive and searching hearings earlier this year, Ford said a supplemental plan "must be designed in a manner which will not threaten in any way the integrity of the existing Federal retirement system." He said benefits earned "must be protected and that a supplemental system must be compatible with the existing system to preclude the situation where employees working side by side would perceive themselves as being treated differently."

Today Ford said that he is "well satisfied" that those goals have been reached in this proposal.

Both Ford and Oakar praised the Congressional Research Service and Hay/Huggins Company, Inc., a prestigious consulting firm with extensive experience in the area of private retirement plans, for their research on retirement system design and cost. The Hay/Huggins assistance stretched over a three-year period.

Both Ford and Oakar stressed that the plan is a proposal being offered for full committee consideration.

The proposed plan is based on three principles:

- The system should have benefits of the same value as the Civil Service Retirement System (CSRS).
- The system should include the best design features of private sector plans and CSRS.
- The total cost -- including social security -- should approximate the cost of CSRS.

It includes these key provisions:

- Full eligibility to retire at the current CSRS retirement ages of 55 with 30 years of service; 60 with 20 years of service; or 62 with 5 years of service.
- Full protection against inflation after retirement or disability.
- Continuation of mandatory employee contributions of 7% of pay to the total retirement system.
- Continuation of the same levels of protection against disability.
- A thrift plan with matching contributions from the Federal government.

Attached is a fact sheet and a copy of plan design specifications.

Attachments

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October 9, 1985

FACT SHEET ON PROPOSED CIVIL SERVICE SUPPLEMENTAL RETIREMENT SYSTEM (CSSRS)

Retirement Benefits

The Civil Service Supplemental Retirement System (CSSRS) provides retirement benefits of 1% of high-three average salary for each year of service. The benefits are payable in full at age 55 with 30 years of service; age 60 with 20 years of service; or age 62 with 5 years of service.

To provide a steady level of retirement income for those eligible to retire before age 62, a supplement equal to the federally-earned social security benefit is paid up to that age.

For the average employee retiring after a full career with the government, the combined benefits provided by CSSRS and social security are similar to the benefits of the Civil Service Retirement System (CSRS). However, because of the distribution of social security benefits, lower-paid employees receive somewhat more and the higher-paid employees somewhat less than under CSRS.

CSRS has been carefully designed to provide for retirement of employees who face hazardous duty or strenuous conditions over their careers. It is in the best interest of the government to maintain a young, vigorous workforce in these categories. CSSRS continues this approach by providing for a consistent level of retirement income at earlier ages for Federal law enforcement personnel, firefighters, and air traffic controllers. The added cost of these benefits is paid by the employees and their agencies.

Disability Benefits

A disabled employee who is unable to perform the duties of his or her current position will be eligible for disability benefits. The benefit will be the accrued retirement benefit, but with a minimum based on service projected for 20 years, or to age 60 if earlier.

A disabled employee eligible for social security will typically receive replacement income of 50% of salary. This is somewhat higher than in CSRS, but lower than the typical private sector benefits of 60% to 75% of salary.

Disabled employees unable to perform the duties of their current or similar positions, but not qualifying under the stricter social security definition, will receive a supplement to make up for the lack of a social security benefit.

Survivors

As in private sector plans and CSRS, the spouse of a deceased employee will be eligible to receive 50% of the employee's pension earned at death. The employee can continue this survivor protection after retirement by accepting approximately a 10% reduction in the basic retirement annuity.

Social security pays surviving spouse benefits averaging 20% to 25% of salary. However, there is a "blackout period" between when the spouse's youngest child turns age 16 and the spouse reaches age 60. CSSRS provides a constant level of income throughout this blackout period. It ensures a minimum guarantee equal to the regular CSSRS benefit (up to 22% of high-three salary) plus the social security benefit that would be paid to the widow at age 60.

The new system also recognizes that while adequate benefits are paid to eligible children under social security, these are discontinued at age 18, or age 19 if the child is in school. CSRS benefits are continued until age 22 if the child is in school. CSSRS fills in this gap by providing benefits as in CSRS from age 19 to age 22 if the child is in school.

Capital Accumulation Plan

The new retirement system combines a traditional defined-benefit retirement plan with a Capital Accumulation Plan (CAP) to encourage employee participation in building retirement income. The CAP has the same design as the most common system provided by private sector employers. Employees can voluntarily contribute up to 10% of salary to the CAP with the government matching half of the first 6% of salary.

The employee contribution will be allocated, at the discretion of the employee, among investment funds maintained by an independent Civil Service Investment Board. The options will include funds that specialize in a particular type of investment such as Federal securities or equities. Matching government contributions will be invested in a Treasury bond fund for the first five years, and thereafter at the discretion of the employee.

Employee Contributions

Employees will be required to make contributions to the retirement fund equal to 7% of salary, less the contributions to OASDI (currently 5.7%).

Employees will be fully vested in their contributions and entitled to withdraw the contributions, plus interest, at the time of leaving Federal service. After five years of service, employees will be vested in a deferred benefit, payable at age 62, reduced by the value of any withdrawn contributions.

Cost-of-Living Protection

All benefits under CSSRS are fully protected against inflation by annual adjustments equal to the increase in the Consumer Price Index. The formula for the timing and amount of the increase is the same as under CSRS.

Government Cost

The total employer cost of the retirement system, including social security, will be about 25.5% of salary. Details of the cost are in the attached table. The additional .5% of salary over the CSRS cost of 25% of salary is needed to compensate for the redistribution of benefits under the social security system. At its slightly higher cost, CSSRS provides benefits that are worth, in total, the same as the CSRS benefits.

The decision to provide a new system with the same value as CSRS was based on a detailed study of total compensation, including retirement, performed in 1984 by Hay/Huggins. While retirement benefits provided by CSRS are worth 6.4% more than those of average private sector plans, the total Federal compensation package falls more than 16% behind that of the average private sector employer. Since 1984, Federal employees have received one 3.5% pay increase and there is no increase scheduled through the end of 1986. It is expected that private sector pay will have increased 12.5% in 1985 and 1986.

Chairman Ford and Chair Oakar believe that it is important to preserve the value of the only major part of the compensation package that is more valuable than in the private sector. A strong retirement system will help to attract and retain employees who would otherwise look for other jobs with higher salaries and superior fringe benefits.

PLAN DESIGN SPECIFICATIONS FOR THE CIVIL SERVICE SUPPLEMENTAL RETIREMENT SYSTEM

I. DEFINED BENEFIT RETIREMENT

A. BASIC PLAN DESIGN	Defined benefit, not explicitly integrated with social security (add-on plan).
B. REQUIRED EMPLOYEE CONTRIBUTION	7% of salary less OASDI contribution.
C. VESTING	5 years.
D. SALARY BASE	Average High-3 salary.
E. RETIREMENT BENEFIT FORMULA	1.0% x years of service.
F. UNREDUCED RETIREMENT BENEFITS	Age 55 with 30 years of service; Age 60 with 20 years of service; Age 62 with 5 years of service. Supplement paid prior to age 62 equal to social security benefit.
G. INVOLUNTARY EARLY RETIREMENT BENEFITS	Age 50 with 20 years of service. Any age with 25 years of service.
H. DEFERRED RETIREMENT	Full accrued benefit payable at age 62 with at least 5 years of service.

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Civil Service Retirement System

The CSSRS deals exclusively with Federal employees covered by social security. While benefits were designed to be consistent with those of CSRS, the benefits of current annuitants and employee members of CSRS are not affected by any of the provisions of CSSRS.

The funding of CSSRS will be combined with CSRS in one retirement fund, in order to assure all annuitants, survivors and disabled employees that the funds needed for benefits from both CSRS and CSSRS will be available when needed. By fully funding the CSSRS benefits from the date of employee entrance into the system, the plan guarantees a continuous flow of funds to provide retirement benefits to all Federal annuitants.

I. REFUNDS	Employees may withdraw contributions plus interest. Any withdrawn contributions will be deducted from the vested benefit value.
J. COST-OF-LIVING ADJUSTMENT	Annual adjustment equal to the increase in the Consumer Price Index.
K. DISABILITY BENEFITS	For employees eligible for social security benefits no less than the lesser of: (a) 20% of high-three salary, or (b) the retirement benefit projected to age 60 Employees not eligible for social security benefits receive the above formula plus a supplemental benefit until old-age social security benefits become payable at age 62.
L. HAZARDOUS DUTY EMPLOYEES	Federal Law Enforcement officers may retire after age 50 with 20 years of service. Firefighters may retire after age 50 with 20 years of service. Air Traffic Controllers may retire after 25 years of service or after age 50 with 20 years of service. The annual retirement credit is 1.7% times years of service up to 20 years plus 1.5% for years in excess of 20 years.

HAZARDOUS DUTY EMPLOYEES (contd)	Supplement payable from retirement to age 62. Employee pays an additional .5% of pay for benefit.
M. POST-RETIREMENT SPOUSE SURVIVOR BENEFITS	Automatic unless jointly waived. Those electing option have annuity reduced by 10%. Payment to surviving spouse is half of the unreduced annuity.
N. PRE-RETIREMENT SPOUSE SURVIVOR BENEFITS	Any age with 18 months of service. The same benefit that would be payable to a surviving spouse of a retired employee. The minimum surviving spouse's benefit is no less than the lesser of: (a) 22% of high-three salary, or (b) the projected combined retirement system and social security benefit at the widow(er)'s age 60. <u>less</u> <u>social security</u>
O. CHILDREN	Annual benefit of $2,800 increased by future CPI growth, and fully offset for the children's portion of any social security benefit. Benefits paid until age 18 for a child not in school and until age 22 for a child in school. Benefits are continued after age 22 for a disabled child.

II. VOLUNTARY CAPITAL ACCUMULATION PLAN

A. ALLOWABLE EMPLOYEE CONTRIBUTIONS	Up to 10% of pay to thrift plan.
B. GOVERNMENT MATCHING CONTRIBUTIONS	For each $1 contributed by employee up to 6% of pay, Government contributes $0.50.
C. VESTING	Employee contributions immediately vested. Government matching contributions vested 20% after 1 year, 40% after 2 years, 60% after 3 years, 80% after 4 years, and fully vested after 5 years.
D. INVESTMENT OPTIONS	Employees may choose to invest their contributions in any of the investment vehicles provided in the Capital Accumulation Plan. Government contributions are invested in Treasury securities for the first five years of the Capital Accumulation Plan. After this period, Government contributions may be invested in any of the investment vehicles as elected by the employee.
E. CURRENT EMPLOYEES	Current employees may not elect into CSSRS. They may participate in the Capital Accumulation Plan, but do not receive Government matching contributions.

III. SOCIAL SECURITY

A. OLD AGE, SURVIVORS, AND DISABILITY INSURANCE	All affected employees covered.
B. EMPLOYEE CONTRIBUTION	Employee contribution of 5.7% of pay (6.06% in 1988; 6.2% in 1990) for OASDI coverage, up to maximum taxable wage base ($39,600 in 1985.)

Cost Table

Civil Service Supplemental Retirement System

PROGRAM COMPONENT	ESTIMATED NORMAL COST (percentage of payroll)
TOTAL DEFINED BENEFITS	19.3%
CAPITAL ACCUMULATION PLAN	4.3%
SOCIAL SECURITY	11.8%
TOTAL BENEFITS	35.4%
EMPLOYEE CONTRIBUTIONS	
Defined Benefit	-1.1%
Capital Accumulation Plan	-2.9%
Social Security	-5.9%
Subtotal	-9.9%
TOTAL EMPLOYER COST	25.5%**

** Total cost to replicate current benefit levels is slightly higher than the current system costs.